

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-07 LAB-04
NSAE-00 SIL-01 DODE-00 PM-05 H-01 L-03 NSC-05
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FM AMEMBASSY DUBLIN
TO SECSTATE WASHDC 9888
INFO AMEMBASSY LONDON
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL BELFAST

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USEC ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: ELAB, EGEN, EINV, EI
SUBJECT: FERENKA: INTER-UNION LABOR DISPUTE CLIMAXES IN PLANT
CLOSURE

1. ON NOVEMBER 28 FERENKA, AND IRISH SUBSIDIARY OF THE DUTCH FIRM ENKA (PART OF THE AKZO GROUP), ANNOUNCED THE CLOSURE OF ITS LARGE (BY IRISH STANDARDS) STEEL CORD FACTORY IN LIMERICK. THE CLOSURE FOLLOWS A NINE-WEEK LABOR DISPUTE DUE BASICALLY TO INTER-UNION COMPETITION FOR MEMBERS BY THE IRISH TRANSPORT AND GENERAL WORKERS UNION AND THE MARINE PORT AND GENERAL WORKERS UNION. A PROVISIONAL MODUS VIVENDI WAS REACHED BY THE UNIONS THE DAY BE-
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FORE THE CLOSURE ANNOUNCEMENT. FERENK'S FIVE-YEAR OPERATING HISTORY HAD BEEN MARRED BY FREQUENT LABOR DISPUTES AND MARKET PROBLEMS. WITH THE UNEMPLOYMENT RATE AT ABOUT 9.2 PERCENT, THE HIGHEST IN THE EC, JOB PROSPECTS ARE BEAKLEAK FOR THE PLANT'S 1400 WORKERS, AND THE VAST MAJORITY FACE A LENGHTY STAY ON THE UN-EMPLOYMENT ROOLS. THERE HAVE BEEN SUGGESTIONS THAT THE GOI SHOULD TAKE OVER THE OPERATION OF THE PLANT OR PROMOTE A WORKERS'

COOPERATIVE BUT AT THIS TIME NO SUCH SOLUTION LOOKS PROBABLE --
PARTICULARLY SINCE THE ENTERPRISE REPORTEDLY HAS OPERATED CON-
SISTENTLY AT A LOSS.

2. THE CLOSURE HAS PROVIDED A WEALTH OF MATERIAL FOR RECRIMIN-
ATION ON ALL SIDES. THE GOVERNMENT, WHICH HAS SET JOB CREATION
AS ITS PRIMARY OBJECTIVE, HAS BEEN CRITICIZED FOR NOT ACTING
QUICKLY OR DECISIVELY ENOUGH TO PROMOTE A LABOR SETTLEMENT EARLY
IN THE DISPUTE. THE COMPANY HAS BEEN ACCUSED OF CREATING POOR
WORKING CONDITIONS AND AN UNPROFESSIONAL APPROACH TO LABOR
RELATIONS. THE UNIONS HAVE RECEIVED A FAIR MEASURE OF BLAME FOR
EMPHASIZING COMPETITION FOR THE RECRUITMENT OF THE CURRENTLY
EMPLOYED ABOVE THE CREATION AND MAINTENANCE OF JOBS. LAST BUT NOT
LEAST, THE INDUSTRIAL DEVELOPMENT AUTHORITY HAS BEEN CRITICIZED
FROM SOME QUARTERS FOR FAILING TO DEVOTE ENOUGH ATTENTION TO THE
EXPANSION OF LOCALLY-OWNED CONCERNS AS OPPOSED TO ATTRACTING
FOREIGN BUSINESS.

3. A MAJOR QUESTION MARK IS THE IMPACT WHICH THE FERENKA CLOSURE
WILL HAVE ON THE SUCCESS OF THE GO'S INTENSIVE EFFORT TO MODERNIZE
THE ECONOMY THROUGH THE IMPORTED TECHNOLOGY AND MANAGEMENT
EXPERTISE OF FOREIGN INVESTORS. MOST GO OFFICIALS AND BUSINESS-
MEN WE HAVE SPOKEN TO TEND TO MINIMIZE THE EFFECT WHICH THIS
SINGLE EPISODE WILL HAVE, AND POINT OUT THAT IT UNDERSCORES
THE FACT THAT THE VAST MAJORITY OF FOREIGN FIRMS HERE HAVE FARED
WELL IN LABOR RELATIONS AND PROFITABILITY. BUT MANY BELIEVE THAT
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THE CONTINUATION OF THE LABOR UNREST WHICH HAS CHARACTERIZED THE
SECOND HALF OF THIS YEAR COULD ULTIMATELY UNDERMINE THE FOREIGN
INVESTMENT PROMOTION DRIVE. (THE RASH OF MOSTLY UNOFFICIAL WORK
STOPPAGES HAS PRINCIPALLY BEEN AIMED AT THE PUBLIC SECTOR AND
TRADITIONAL IRISH CONCERNS RATHER THAN THE MORE MODERN, USUALLY
HIGHER PAYING AND MORE SKILLFULLY MANAGED FOREIGN PLANTS.)

4. TWO OTHER FOREIGN FIRMS WITH SERIOUS PROBLEMS (ONE WITH LABOR,
THE OTHER DUE TO ENVIRONMENTAL FACTORS) HAVE ASSUMED EVEN
GREATER SIGNIFICANCE BY VIRTUE OF THE FERENKA CLOSURE. ASAHI,
A JAPANESE-OWNED CHEMICAL FIBER PLANT, HAS ENCOUNTERED AN INTER-
UNION DISPUTE VERY SIMILAR TO THAT OF FERENKA AND, IN FACT, IN-
VOLVING THE TWO SAME UNIONS. MEANWHILE, A SMALL GROUP OF
OPPOSITIONISTS PROTESTING THE LOCATION OF ITS PLANT AND WASTE DUMP
PREVENTED RAYBESTOS, US-OWNED BRAKE LINING MANUFACTURER, FROM
GOING INTO PRODUCTION FOR A YEAR AFTER PLANT COMPLETION, NOT-
WITHSTANDING APPROVAL BY LOCAL AND CENTRAL GOVERNMENT AUTHORITIES.
NEITHER OF THESE CASES HAS BEEN SATISFACTORILY RESOLVED AS YET.
SOME PROGRESS HAS REPORTEDLY BEEN ACHIEVED IN BOTH AND THE
GOVERNMENT SEEMS DETERMINED TO PREVENT ANY MORE FERENKAS FROM
CLOUDING IRELAND'S FAVORABLE INVESTMENT CLIMATE.

5. IN A BROADER CONTEXT MINISTER OF LABOR FITZGERALD HAS
PROMISED IN REVIEW OF THE ENTIRE INDUSTRIAL RELATIONS SYSTEM
TO PROVIDE A BASIS FOR THE INTRODUCTION OF NECESSARY REFORMS.
BOTH BY LAW AND TRADITION THE GOVERNMENT HAS DIFFICULTY IN
INTERVENING IN LABOR DISPUTES. ALTHOUGH FITZGERALD PROMISES A
MORE ACTIVE ROLE, HE WILL HAVE OPPOSITION FROM MOST OF THE LEADERS
OF THE TRADE UNION MOVEMENT. SHANNON

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